Consumer versus Producer: Overcoming the Disconnect between Management and Competitive Intelligence

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EXECUTIVE SUMMARY

The most overwhelming challenge faced by practitioners of competitive intelligence has little to do with the development of their professional skills. Although improving one's competence in the "tools and techniques" of intelligence collection and analysis (honing one's craft, so-to-speak) is, of course, essential, it is by no means sufficient for success. If CI professionals are to add value to organizational imperatives, if they and their "product" are to have measurable impact on executive decision-making, intelligence must become a central component of the users' decision-making processes. Competitive intelligence must, in short, make a material difference to the agendas of policy-makers. Without "buy in" on their part, CI is doomed to failure. Often, the very managers whose job it is to lead the intelligence initiative are not perceived as credible by the decision-makers they are tasked to serve. Intelligence that executives disagree with is ignored. In many instances, the CI team will concentrate on delivering what it assumes to be important, rather than focus on topics that are of real concern to their "customers." The outcome, or more accurately lack of outcome, is generally regarded as a "failure of intelligence." This article addresses some of the cultural and "political" hurdles that must be overcome, and the steps CI practitioners can take to ensure that intelligence becomes an indispensable management resource, fully integrated into the processes of strategic and operational decision-making. © 1999 John Wiley & Sons, Inc.

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The practice of competitive intelligence (CI) in large-scale organizations remains, for the most part, an exercise in futility. Despite the obvious logic in the maxim that "intelligence exists to support informed decision-making," it is, in the main, corporate decision-makers themselves who are first to balk at the notion of an organized intelligence mechanism—or "some sort of competitor intelligence *system*" (Porter, 1980)—designed to provide accurate and timely intelligence about the most critical threats facing the organization. The effects of this dilemma are twofold.

First, intelligence fails to make a material impact on management decision-making, or at best is treated as secondary to that of other forces both inside and outside the organization; the value of CI and those who produce it are, therefore, not optimized. Clearly "individual managers in various functional areas tailor information acquisition to their own [individual] needs," but for the most part "these activities exist in parallel [with formalized organizational needs] with little or no interaction" (Gibbons & Prescott, 1992). Unfortunately, ad hoc "intelligence gathering" adds little to mobilizing the institutional knowledge assets of the firm.

Second, CI analysts are left wondering: "Where have we gone wrong?"

- *Are we lacking experience, skills, tools?*
- *Did we deliver too late?*
- *Did we fail to understand the user's requirement?*
- *Did we not collect enough information? The right information?*
- *Was our analysis "off the mark"?*

The obstacles to overcoming this "disconnect" between management and intelligence are not unique to industry; nor are they easily resolved. Lessons from the national security arena—where, officially at least, intelligence is traditionally acknowledged as "part of the furniture"—are instructive.

Consider one recently declassified study produced by a former senior officer at CIA (Ford, 1997). We are told that between 1963 and 1965 the advice of the United States Director of Central Intelligence "about [the war in] Vietnam only occasionally influenced White House decisions . . . and that the collective and individual judgments of other Agency officers hardly registered at all." President Johnson repeatedly and publicly reaffirmed that he was not going to be remembered for having lost Vietnam (and the rest of Southeast Asia), whereas CIA analysts argued convincingly that the war could not be won. In the case of Vietnam, the quantifiable costs to the U.S. and its allies for disregarding intelligence that did not match what policy-makers wanted to hear ultimately were measured in tens of thousands of human casualties. The social costs are still being counted.

Consider, too, what Ambassador Robert Blackwill, from 1985–87 head of the U.S. delegation to the NATO–Warsaw Pact negotiations for reduction of conventional military forces in Europe, has to say (Davis, 1995):

> *The policy-makers who count the most—those five to 10 on any issue who have the most power for getting anything done, decided, implemented—work much harder than intelligence analysts. During 1989–90, I was often at my desk from 7 in the morning till 10 at night. Others at the NSC [National Security Council] staff . . . started even earlier. Unlike analysts, we had no evening tennis games. No weekends.*
>
> *Even with these hours . . . I needed help to stay informed. But it had to be the right kind of help. I could not afford to read intelligence papers because this or that intelligence agency was entitled to produce them. It did not matter to me how much work the [Central Intelligence] Agency had put into its products, or how polished they were in scholarly terms. In fact, I could not afford the time to read intelligence papers written by personal friends and colleagues. I could only read intelligence products tailored to help me get through my substantive schedule. There was no other rational choice.*

Ambassador Blackwill does not call into question the competence of the U.S. intelligence community, rather his purpose is to remind us of the cruel arithmetic that imposes on the time and priorities of senior decision-makers. What matters to executives is not intelligence or information that is "good" in and of itself; what matters is fact-based intelligence that makes a difference to their agendas, priorities, and needs as they perceive them. Extending Blackwill's observations, we conclude that intelligence which is useful must flow from a demand driven process; or put another way, "since intelligence is not an end to itself, the intended use of . . . intelligence should be a guiding principle in all stages of intelligence work" (Kovacs, 1997–98).

Planning and Direction

The widely documented process model for CI is referred to as the "intelligence cycle," and involves five interdependent steps. Unfortunately, the tendency of many practitioners is to focus their energies on the collection, processing, and analysis phases, while devoting little attention to understanding the "consumer" for whom intelligence is produced, and why and how he or she plans to use it. However successfully CI professionals apply their collection and analytical skills to their tasks, intelligence output will not be deemed useful by decision-makers unless it:

- *Causes decision-makers to change strategy or a course of action.*
- *Enables better or different implementation of a chosen strategy or course of action.*
- *Plays a central role in the decision-making process.*
- *Is used to force rivals to change or modify the execution of their strategy or plans.*
- *Enhances the effects of a chosen strategy, or is used to diminish the adverse effects of competitor actions.*

Close attention to these five criteria needs to be paid at the "front end" of the process; that is, in the planning and direction phase. The planning and direction of intelligence "involves the management of the entire effort, from the identification of the need for data to the final delivery of an intelligence product to a consumer" (Central Intelligence Agency, 1991). Managing the multiple roles, as distinct from the practice, of intelligence lies at the heart of satisfying the true needs of corporate decision-makers. Competitive intelligence programs must be configured to provide executives and other decision-makers with the following:

- *Early warning of developments that could threaten the interests of the organization, especially when such developments involve key markets, products, and technologies.*
- *Ongoing information about the intentions, plans and performance of rivals, alliance partners, major customers, regulatory authorities and other key players.*
- *Support for critical, or especially sensitive, negotiations; e.g., negotiations involving mergers and acquisitions, or investments in less-developed and unstable regions.*
- *Independent assessments of emerging threats and opportunities.*
- *Information about, and ultimately protection against, "hostile" intelligence attacks (counterintelligence).*

Most importantly, the competitive intelligence manager must enjoy ready access to decision-makers to properly align intelligence with the consumer's needs. The effective CI manager must be able to answer the questions:

- ***WHAT KEY DECISIONS IS THE USER—MY INTERNAL CUSTOMER—CONCERNED WITH?***
- ***WHAT IS THE INTELLIGENCE REQUIREMENT?***
  - *What impact is it likely to have on the firm?*
  - *What are the key intelligence topics?*[1]
- ***WHAT ARE THE USER'S***
  - *Abilities?*
  - *Biases?*
  - *Existing assumptions?*
  - *Interests?*
  - *Objectives?*
- ***HOW CAN THE DECISION-MAKER BE INVOLVED IN THE INTELLIGENCE PROCESS?***

Planning, it is often said, is everything. Within the context of CI it certainly counts for a lot. Without the benefit of rigorous planning and direction, decision-makers are ill-equipped to recognize that "all-source" intelligence products tailored to their specific requirements can provide answers to questions unavailable elsewhere.

MANAGING THE MULTIPLE ROLES OF INTELLIGENCE LIES AT THE HEART OF SATISFYING THE TRUE NEEDS OF CORPORATE DECISION-MAKERS.

Them and Us: Policy-Maker versus Analyst

Sherman Kent (1994, 1968), chairman of the U.S. Board of National Estimates,[2] from 1952 to 1967, observes that "no matter what we tell the policy-maker, and no matter

[1]Key Intelligence Topics reflect the intelligence priorities of the organization—usually issues "where the outcome or resolution has a significant impact on the value of the firm" (Hussey & Jenster, 1999)—and provide an operational framework for focusing intelligence collection and analysis. Key intelligence topics are of four types: (1) Decision; (2) Warning; (3) Key Players; and (4) Counterintelligence.

[2]The Board of National Estimates was the CIA element responsible for the coordination and publication of national intelligence estimates for the National Security Council.

Table 1. *Distinctions Between Policy-Makers and Analysts*

Policy Maker	Analyst
Enjoys possessing and using power.	Tends to distrust power and those who enjoy exercising it.
When possible, makes hard decisions quickly. More comfortable being active rather than more contemplative.	Given to extensive examination of an issue.
Dislikes ambiguity and complexity.	Believes the real world is ambiguous and uncertain. Tries to avoid oversimplification.
Views the world as highly personalized. Anything that impedes his or her actions amounts to a personal attack.	Essentially objective. Rewarded for identifying problems and obstacles.
Sense of vulnerability. Does not like to be perceived as wrong.	Has greater latitude to be perceived as wrong without risking self-esteem.

how right we are and how convincing, he will upon occasion disregard the thrust of our findings for reasons beyond our ken." This is hardly news to CI practitioners not "blessed" with close and direct access to key decision-makers, and who do not, therefore, possess a sufficiently deep understanding of user expectations. Moreover, without user-feedback on the usefulness and usability of intelligence the appropriate adjustments to product and process cannot be made.

One of the first steps necessary to bridge the gap between consumer and producer involves recognizing the fundamental distinctions that exist between analysts and policy-makers. While the extent of a manager's experience with intelligence, if any, as well as his or her decision-making style and temperament are significant factors, practitioners should not underestimate the importance of the basic personality differences that exist between themselves and decision-makers. The following table is adapted from what one former intelligence analyst (Gardiner, 1989) argues are the most crucial distinctions.

In practice, intelligence presents management and CI with something of a paradox. On the one hand, executives are, in a sense, "programmed," and indeed paid, to take decisions. Their job is to pursue the vision, "focus the organization's attention on the next challenge, and the next after that" (Hamel & Prahalad, 1994), and get things done (even if at times it means "killing the messenger"). They seek consistency, simplicity and stability in their external environments (Clarke, 1998). On the other hand, intelligence exists to support decision-makers with products that are accurate, relevant, timely, and unbiased, even when this means exposing flaws and "blindspots" in (essentially disrupting!) the corporate and operational strategies that managers have worked so hard to develop. In fact, the mission of intelligence is unique in companies; for unlike every other business unit, department, functional area, office, or subsidiary, it alone has no stake in the outcome of decisions. How many marketing, production, or R&D managers can make the same claim?

Although a "healthy tension" between policy and intelligence is a good and essential thing, the question remains: What can practitioners do to minimize the adverse effects of differences between themselves and their customers? Three sets of initiatives are recommended.

Leadership

The manager of the Competitive Intelligence team must possess strong and proven leadership qualities. He or she must be credible in the eyes of management, a welcome "guest"—but not a full member—of "the club." This is not an easy assignment. As one former Director of Central Intelligence points out (Gates, 1989), most senior policy-makers "often attach as much—if not more—credibility to the views of family, friends, and private contacts as they do to those of . . . the intelligence community." Corporate finance officers in the big investment banks may, for example, represent useful sources of high-level information for senior executives, but they are hardly unbiased or without their own agendas.

In addition, the Competitive Intelligence manager must be respected as an objective and trusted professional throughout the organization. If CI is to gain necessary credibility it must produce actionable product; this, in turn, will depend to a great extent on the success with which the intelligence head can build and harness an informal personal network of friends and sources at all levels of the company, both at home and abroad.

The importance we attach to the issue of leadership is echoed by Herbert Meyer (1987), who once served as vice-chairman of the National Intelligence Council:[3]

> *An intelligence chief must be able to walk comfortably on both sides of the street. To lead the outfit itself, the chief must have those qualities that mark an intelligence officer: a passion for facts, a taste for delving deeply into issues, an insatiable curiosity about what is really going on in far-off places and about arcane subjects. Yet to work effectively with the chief executive—to understand what the chief executive needs from his intelligence outfit to deliver finished intelligence products in a form the executive can absorb—the intelligence chief must also have the qualities that mark a successful policy maker: a taste for action, the capacity to make decisions when they need to be made, regardless of whether or not all the facts are available, the ruthlessness to accept small losses in pursuit of larger gains.*

In the course of one consulting engagement, this author asked the commercial director of a major British energy firm if he would be willing to permit the company's head of CI to sit in as an observer at executive board meetings. The response was quick: "I don't think that would fly at the moment [with other board members]." Although the company's CI manager was (and remains) highly qualified for his operational role, he and his function were not perceived as sufficiently credible by management to be part of their "team." In contrast, Robert Galvin, chairman of the executive committee at Motorola, told participants at the 1996 Annual International Conference of the Society of Competitive Intelligence Professionals that his company's CI unit exists to "ensure that the firm never knows enough." And to be successful, he added, CI must be sold "to the CEO and his team." Ideally, the director or manager of CI is appointed by the corporate or divisional CEO, but with no fixed term; this serves to remove any ambiguity about the authority or importance attached to the role, and at the same time means that a new chief executive does not inherit an intelligence head with whom he or she cannot work.

[3]Successor to CIA's Board of National Estimates.

Links with Management

At the European headquarters of one Fortune 100 company the office of the manager–business intelligence is located opposite that of the regional managing director's. At this highly diversified manufacturer, well-known for its product and technology innovation, intelligence is close to policy-makers and policy-making. The business intelligence group is intimately familiar with the requirements of senior decision-makers, and is routinely tasked by executives to meet their intelligence needs. Although the company's intelligence system is managed as a highly formalized process, the strength of the relationship between business intelligence and management owes much to the informal nature of their contact. Bureaucratic impediments to the work and use of intelligence are largely avoided.

IDEALLY, THE DIRECTOR OR MANAGER OF CI IS APPOINTED BY THE CORPORATE OR DIVISIONAL CEO, WITH NO FIXED TERM. THIS SERVES TO REMOVE ANY AMBIGUITY ABOUT THE AUTHORITY OR IMPORTANCE ATTACHED TO THE ROLE, WHILE ENSURING THE CEO DOESN'T INHERIT AN INTELLIGENCE HEAD WITH WHOM HE OR SHE CANNOT WORK.

Kent (1949) argues that no aspect of intelligence "is more important than the proper relationship between intelligence itself and the people who use its product." Intelligence, he suggests, "must be close enough to policy, plans, and operations to have the greatest amount of guidance, and must not be so close that it loses objectivity and integrity of judgment."

While we do not offer template solutions for strengthening the linkages between practitioners and management, there are a number of practical steps intelligence professionals can take toward improving the status quo.

- *The CI manager must develop routines, or procedures that will ensure the analytical needs of decision makers are correctly deciphered.*

This does not involve guesswork or even instinct, it means forging a close enough relationship with executives to be able to ask some tough questions: What do you need? Why? What will you do with it once you get it? What is the likely impact on the company? What are your existing assumptions, and upon what data and information are they based? And what can *you* provide by way of direction?

Feedback from the decision-maker is essential.

Once intelligence is disseminated, another set of penetrating questions must be raised: Did it make a difference to you? Was it useful? Was it worth the cost? What should we do differently next time?

Decision-makers require education in intelligence.

Because the subject of Competitive Intelligence is taught in only a handful of business schools (mainly in France, Sweden, and the U.S.), unless the executive has a background in military intelligence or national security he or she is unlikely to possess an understanding of— let alone an enthusiasm for—the nature, role, and value of intelligence in the private-sector enterprise. The CI manager must help executives realize that they ignore intelligence at their peril: To assume that rivals are not investing in improving their own intelligence and counterintelligence capabilities is tantamount to "underestimating the enemy." To believe that strategy can be created and implemented in a vacuum, devoid of evidence-based interpretations of rivals' competencies, infrastructures, intentions, motives, technologies, and plans verges on professional negligence. And to think that firms in a "globalized" 21st century can successfully navigate the difficult courses they have set without the benefit of "knowledge and foreknowledge" of the world around them represents not vision, but myopia. The chief executive officer of Intel, the world's largest maker of microchips, puts it this way (Grove, 1996):

> *. . . I worry about competitors. I worry about other people figuring out how to do what we do better or cheaper, and displacing us with our customer." . . . It is fear that every evening makes me read the trade press reports on competitors' new developments . . ..*

Healthy paranoia is certainly not a bad thing. Failing to respond to the legitimate fears of escalating competitive threats without support from of a well-organized intelligence capability is pure folly.

Delivering the "Product"

Why is it that intelligence analysts, in particular those employed by firms renowned for excellence in product packaging, fail to recognize that policy-makers often are uncomfortable with "the big-picture, dry, analytical style [with which] analysts strongly prefer to transmit knowledge?" (Gardiner, 1989). If intelligence is to have utility to decision-makers, it must be tailored not only to their specific information requirements, but must be presented, or disseminated, in their "language," and conform to their unique frames of reference. It must, in short, be organized to match the preferred style of the user.

And while intelligence analysis must at all times be rigorous in its development and design, in terms of presentation format our experience is that "visuals are better," but "oral is best." Face-to-face briefings provide the user with an opportunity to question analysts, and, in turn, provide analysts with immediate feedback. E-mail and intranets are invaluable operational tools, but they have virtually no place in building dynamic working relationships between intelligence and its consumers.

Other methods involved in improving the transmission of intelligence include the following:

- ***CAREFULLY STRUCTURE ASSUMPTIONS AND ARGUMENTATION ABOUT WHAT IS UNKNOWN, AND UNKNOWABLE.*** *Note explicitly information gaps that could have significant consequences.*
- ***CLARIFY WHAT IS KNOWN BY LAYING OUT THE EVIDENCE AND PINPOINTING CAUSE-AND-EFFECT PATTERNS.*** *Decision-makers are interested in facts, not opinions. What is the "problem"? What is the "estimate"?*
- ***COMMUNICATE ANALYSIS IN A MORE CONVERSATIONAL MANNER; AVOID OVER-SOPHISTICATION.*** *The Bill Gates, Jack Welches, and Percy Barniviks of this world are not academics.*
- ***DELIVER ON TIME.*** *Decision-makers cannot be expected to postpone exercising their responsibilities while the intelligence team scrambles to complete the "perfect" product.*
- ***ENSURE THAT THE ANALYSTS WHO ARE INVOLVED IN PRODUCING THE INTELLIGENCE ARE PRESENT AT BRIEFINGS.*** *Only those intimately familiar with the subject can respond to the probing questions often raised by intelligence consumers.*
- ***INCLUDE IMPLICATIONS FOR THE ORGANIZATION AND OPTIONAL ACTIONS.*** *Make recommendations for follow-up collection and monitoring.*

- *INCLUDE REPORTS FROM THE FIELD. Human-source findings (coupled with evaluations of their reliability) are especially valued by executives. Information based on open sources holds little appeal, and possesses no inherent competitive advantage.*
- *TELL THE USER WHAT IS IMPORTANT. Decision-makers do not generally care about an analyst's depth of subject knowledge; they want CI staff to report on those things that are important for them to know, and what they mean.*

In much the same way that companies search for new and effective ways to differentiate their products from those of the competition, CI must ensure that its customers receive product that not only makes a difference to them, but is different.

Conclusions

This article has been predicated on four guiding concepts:

1) Companies continue to need a strong and increasingly flexible intelligence capability. **2)** The focus of intelligence must be on "what the product does: value-added and credible information that the user needs and wants," rather than "what the product is" (Barndt, 1994). **3)** The mission of Competitive Intelligence is to provide timely intelligence warning and assessments to corporate decision-makers in support of strategy and operations. Intelligence must serve as the "sword and the shield" of the firm, its first line of defense against external threats. **4)** Without close and continuous involvement in intelligence on the part of decision-makers, CI programs can have no substantive basis upon which to anticipate success.

We have endeavored to describe characteristics of the "disconnect" between management and intelligence which prevails in so many organizations, and we have sought to recommend realistic remedies. Although the focus of this article has been on the responsibilities of the CI practitioner in overcoming the problem, management, too, must assume its share of the burden; after all, intelligence exists first and foremost to serve their needs. In the future, perhaps, shareholders will hold executives liable for failures to build and use an intelligence resource, and in a world which turns on information, and the technologies which make it universally accessible, that time may not be far off.

For now, we who practice the craft of intelligence in companies must redouble our efforts to convince decision-makers that competitive intelligence lies "at the very heart of the firm's pursuit of improved competitiveness [and] competitive advantage." (Bernhardt, 1993). We must accomplish this not only by means of powerful argument and persuasion, but by delivering actionable product that makes a real difference to a firm's success and shareholder value.

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